

AGREEMENT TO SELL OIL AND GAS PROPERTIES
AND PRODUCTION PAYMENT

THIS AGREEMENT, dated the 18th day of February, 1964, between ATHLETIC MINING AND SMELTING COMPANY, a Missouri corporation with offices in Fort Smith, Arkansas (Athletic), SOUTHWEST NATURAL PRODUCTION COMPANY, a Delaware corporation with offices in Shreveport, Louisiana (Southwest), and STEPHENS PRODUCTION COMPANY, a joint venture composed of J. T. Stephens, W. R. Stephens and Vernon J. Giss, with offices in Fort Smith, Arkansas (Stephens), and RANEY, INC., an Arkansas corporation with offices in Little Rock, Arkansas (Raney);

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W I T N E S S E T H:

1. Attached hereto are Exhibits A, B, C and D (the "Exhibits"). Exhibit A contains descriptions of various oil and gas properties owned (or to be owned prior to Closing Date defined in Paragraph 10 below) by Athletic, which are located in the States of Arkansas and Oklahoma. Exhibit B contains descriptions of various non-producing oil and gas properties owned (or to be owned prior to Closing Date defined in Paragraph 10 below) by Athletic which are located in the States of Arkansas and Oklahoma. The interests described in Exhibit A (subject to the matters therein referred to) are herein sometimes referred to as the "Production Payment Properties", the interests described in Exhibit B (subject to the matters therein referred to) are herein sometimes referred to as the "Non-Producing Properties", and the interests described in both Exhibit A and Exhibit B are herein sometimes collectively referred to as the "Athletic Properties". Exhibit C contains descriptions of various other properties owned (or to be owned prior to Closing Date as hereinafter defined) by Athletic, including interests in and to licenses, options, easements, privileges and real and personal properties not covered by Exhibits A and B. The interests described in Exhibit C (subject to the matters therein referred to) are herein sometimes referred to as the "Additional Properties". Exhibit D lists any and all indebtedness and liabilities of Athletic which will be assumed by Southwest and Stephens at Closing Date defined in Paragraph 10 below.

2. Attached hereto, marked Exhibit I and made a part hereof, is a form of conveyance (the Conveyance), substantially in the form for execution by the parties hereto (except for

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Exhibit A to be attached thereto), Part I of which is a conveyance by Athletic to Southwest and Stephens of the Production Payment Properties described in Exhibit A hereto, excepting and retaining to Athletic a production payment in the primary sum of \$7,000,000 (the "Production Payment"), and Part II of which is a conveyance from Athletic to Raney of the Production Payment.

3. Attached hereto, marked Exhibit II and made a part hereof, is a form of assignment (the "Assignment"), substantially in the form for execution by Athletic (except for Exhibit B to be attached thereto), which is an assignment from Athletic to Southwest and Stephens of the Non-Producing Properties described in Exhibit B.

4. Subject to the terms and conditions herein set forth, Athletic agrees to sell to Southwest and Stephens, and Southwest and Stephens agree to purchase from Athletic, the properties listed in Exhibits A, B and C, (the Production Payment Properties being subject to the Production Payment and to the other exceptions set forth in the Conveyance), and Athletic agrees to sell to Raney and Raney agrees to purchase from Athletic, the Production Payment.

5. Athletic agrees with Southwest and Stephens that from and after the date of this Agreement and until the Closing Date defined in Paragraph 10 below:

(a) Athletic will at all reasonable times give to Southwest and Stephens, their attorneys and representatives, full access to the Athletic Properties and to all books, records, information, contracts and documents relating thereto which Athletic has in its possession, with the right to make copies of all such books, records, information, contracts and documents.

(b) Athletic will make available to Southwest and Stephens, their attorneys and representatives, all abstracts of title, certificates of abstracters, title reports, title files, title opinions, ownership maps, surveys, and all other title information which Athletic may have in its possession with respect to the Athletic Properties, and as soon as practicable after the execution hereof will obtain supplemental abstracts or certificates covering the interest of Athletic in the Production Payment Properties, commencing with the date of the most recent abstract or certificate described in

the title opinion covering such property which is in Athletic's title file. Athletic will, at its sole cost and expense, furnish to Southwest and Stephens and their attorneys such number of copies (certified or otherwise authenticated to the satisfaction of Southwest and Stephens) as they may reasonably request, of all instruments and documents with respect to which Athletic, Southwest and Stephens may agree to permit reproduction in briefed form in the supplemental abstracts to be obtained pursuant to this subparagraph (b).

(c) Athletic will use its best efforts to cure all objections to title to the Athletic Properties made by attorneys for Southwest and Stephens and will cooperate with Southwest and Stephens to obtain all necessary permissions, approvals and consents by third parties or governmental authorities in connection with the sale and transfer of the Athletic Properties and all necessary waivers of preferential rights of third parties to purchase any portion of the Athletic Properties.

(d) Athletic, to the extent that such matters are in the control of Athletic, will cause the Athletic Properties to be developed, maintained and operated in a good and workmanlike manner, and will pay or cause to be paid all costs and expenses chargeable to it in connection therewith and will perform and comply with the covenants and conditions contained in the various instruments described in the Exhibits hereto, and will not modify any of such instruments without the consent of Southwest and Stephens, and will notify Southwest and Stephens of any notice or claim of default received by Athletic with respect to any instrument described in the Exhibits hereto or of any suit or proceeding pending, or to the knowledge of Athletic threatened, against or affecting any of the Athletic Properties before any court, or by or before any governmental commission, bureau, or other regulatory authority.

(e) Athletic, unless the written consent of Southwest and Stephens is first obtained, will not enter into any new agreements or commitments with respect to the Athletic Properties (except in the ordinary course of business) and will not drill any new wells on the Athletic Properties and will not abandon any producing well located thereon.

(f) Athletic will keep in full force and effect all oil and gas leases described in the Exhibits and, except with the written consent of Southwest and Stephens, will not surrender or abandon all or any portion of such oil and gas leases, except producing leases which cease to produce in commercial quantities and are therefore abandoned, and except non-producing leases whose primary terms may expire; provided, however, that should Athletic determine not to pay any delay rental under any non-producing oil and gas lease, it shall notify Southwest and Stephens at least thirty (30) days in advance of the rental payment date, and in the event Southwest and Stephens notify Athletic within fifteen (15) days thereafter that it desires that such rental be paid, Athletic will pay such rental; but in that event, should the purchases and sales provided for hereunder not be consummated, then upon termination of this Agreement, Southwest and Stephens shall reimburse Athletic for the rental so paid, and Athletic shall assign to Southwest and Stephens without warranty of title its interest in all such non-producing oil and gas leases as to which Athletic determined not to pay rentals but made payment thereof at Southwest's and Stephens' request.

(g) Athletic will use its best efforts to procure, prior to the Closing Date, the authorization and approval by such proportion as may be required by applicable law of its stockholders having voting power of the sales contemplated hereby, and will take such other corporate actions as may be necessary in connection with such sales.

6. Athletic agrees with Raney that, from and after the date of this Agreement and until the Closing Date, Athletic will perform and comply with the covenants and agreements set forth in Paragraph 5 hereof, to the extent that such covenants and agreements are applicable to the Production Payment Properties, the same as though such covenants and agreements had been made in favor of Raney.

7. The obligations of each party under this Agreement are subject, in the discretion of such party, to the satisfaction on or prior to the Closing Date of the following conditions:

(a) On the Closing Date no suit, action or other proceeding shall be pending or threatened before any

court or governmental agency in which it is sought to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or to obtain substantial damages in connection with this Agreement or the transactions contemplated thereby.

(b) There shall not have been enacted or voted by either House of Congress of the United States of America after the date of this Agreement and prior to the Closing Date, legislation which in the judgment of such party is or would be prejudicial to the income tax consequences to such party of the transactions contemplated by this Agreement.

(c) All necessary permissions, approvals and consents of third parties or governmental authorities (except permissions, approvals and consents of governmental authorities customarily obtained subsequent to transfer) and all necessary waivers of preferential rights to purchase of third parties with respect to the sales and transfers of the Athletic Properties shall have been given.

(d) The stockholders of Athletic shall have adopted a plan of complete liquidation, such plan to provide that Athletic shall be dissolved and all the assets of Athletic, less assets retained to meet claims, shall be distributed in complete liquidation within the twelve-month period beginning on the date the plan is adopted by the stockholders. Such plan of complete liquidation shall be adopted by the affirmative vote of such portion of the issued and outstanding stock as required by applicable law at a meeting duly called for that purpose.

(e) On the Closing Date, the sale of the Athletic Properties to Southwest and Stephens and the sale of the Production Payment to Raney shall be concurrently consummated.

8. The obligations of Southwest and Stephens under this Agreement are subject, in the discretion of Southwest and Stephens, to the satisfaction on or prior to the Closing Date, of the following additional conditions:

(a) Athletic shall have performed all agreements and covenants required by this Agreement to be performed by it.

(b) Subsequent to the date of this Agreement and prior to the Closing Date, there shall not have been any material adverse change in the condition of the Athletic Properties except depletion due to normal production, depreciation of equipment incident to normal operations,

and transactions permitted by this Agreement or consented to in writing by Southwest and Stephens.

(c) Southwest and Stephens shall have received a certificate dated the Closing Date from corporate officers of Athletic that to the best of their knowledge and belief the conditions set forth in subparagraphs (a) and (b) above (to the extent not waived by Southwest and Stephens) have been satisfied.

(d) None of the Athletic Properties shall be subject to any instrument, agreement or undertaking not shown in the Exhibits which will subject Southwest and Stephens to any burdensome obligation or liability.

(e) Southwest and Stephens shall have each received an opinion dated the Closing Date from Messrs. Daily & Woods, of Fort Smith, Arkansas, to the effect that

(i) Athletic has been duly incorporated and is validly existing and in good standing under the laws of the State of Missouri, and is duly qualified to do business in all States in which the ownership of the Athletic Properties requires that it be qualified;

(ii) This Agreement, the Conveyance, and the Assignment each has been duly authorized, executed and delivered by Athletic and, subject to due execution by Southwest, Stephens and Raney of this Agreement and the Conveyance, each is valid and binding upon Athletic in accordance with its terms; and

(iii) All necessary corporate proceedings by Athletic to authorize the transactions contemplated by this Agreement to authorize the performance by Athletic of its obligations hereunder, and to authorize the execution and delivery by Athletic of the Conveyance, the Assignment, and the other documents required to be delivered by it on the Closing Date, have been duly taken.

(f) Southwest and Stephens shall have each received an opinion dated as of the Closing Date from Messrs. Locke, Funnell, Boren, Laney & Neely, of Dallas, Texas, counsel for Southwest and Stephens, to the effect that, upon

execution and delivery of the Conveyance, Southwest and Stephens will acquire good, valid and defensible title to the Production Payment Properties, subject only to

(i) The Production Payment and the terms and provisions of the Conveyance;

(ii) The matters set out in Exhibits annexed to the Conveyance;

(iii) Taxes constituting a lien but not yet due and payable; and

(iv) Defects or irregularities of title or encumbrances which do not materially affect the value of the properties subject thereto or which affect properties which in the judgment of Southwest and Stephens are not of material value in relation to the properties being purchased.

As to the matters of title, Messrs. Locke, Purnell, Boren, Laney & Neely may rely upon prior title opinions or upon opinions by local counsel selected by it.

9. The obligations of Raney under this Agreement are subject, in the discretion of Raney, to the satisfaction on or prior to the Closing Date of the following additional conditions:

(a) Athletic shall have performed all agreements and covenants required by this Agreement to be performed by it insofar as they relate to the Production Payment Properties.

(b) Subsequent to the date of this Agreement and prior to the Closing Date there shall not have been any material adverse change in the condition of the Production Payment Properties except depletion due to normal production, depreciation of equipment incident to normal operations and transactions permitted by this Agreement or consented to in writing by Raney.

(c) Raney shall have received a certificate dated the Closing Date from corporate officers of Athletic that to the best of their knowledge and belief the conditions

set forth in subparagraphs (a) and (b) above (to the extent not waived by Raney) have been satisfied.

(d) Raney shall have received an opinion dated the Closing Date from Messrs. Daily & Woods, of Fort Smith, Arkansas, to the effect that

(1) Athletic has been duly incorporated and is validly existing and in good standing under the laws of the State of Missouri, and is duly qualified to do business in all States in which the ownership of the Production Payment Properties requires that it be qualified;

(11) This Agreement and the Conveyance each has been duly authorized, executed and delivered by Athletic and, subject to due execution by Southwest and Stephens and Raney, each is valid and binding upon Athletic in accordance with its terms; and

(111) All necessary corporate proceedings by Athletic to authorize the transactions contemplated by this Agreement, to authorize the performance by Athletic of its obligations hereunder, and to authorize the execution and delivery by Athletic of the Conveyance, have been duly taken.

(e) Raney shall have received an opinion dated as of the Closing Date from Messrs. Locke, Purnell, Boren, Laney & Neely, of Dallas, Texas, counsel for Southwest and Stephens, to the effect that

(1) Southwest has been duly incorporated and is validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business in all States in which the ownership of the Production Payment Properties requires that it be qualified;

(11) This Agreement and the Conveyance each has been duly authorized, executed and delivered by Southwest and Stephens and, subject to due execution by Athletic and Raney, each is valid and binding upon Southwest and Stephens in accordance with its terms; and

(111) All necessary corporate proceedings

by Southwest to authorize the transactions contemplated by this Agreement, the performance by Southwest of its obligations hereunder and under the Conveyance and the execution and delivery by Southwest of the Conveyance have been duly taken.

(f) Raney shall have received an opinion dated as of the Closing Date from Messrs. Locke, Funnell, Boren, Laney & Neely, of Dallas, Texas, to the effect that upon execution and delivery of the Conveyance, the Production Payment Properties will be burdened by and subject to the Production Payment in accordance with the terms of the Conveyance and, further, that Raney will acquire good, valid and defensible title to the Production Payment insofar as it affects the Production Payment Properties, subject only to

(1) The matters referred to in Exhibit A attached to the Conveyance;

(11) Taxes constituting a lien but not yet due and payable; and

(111) Defects or irregularities of title or encumbrances which do not materially affect the value of the properties subject thereto or which affect properties which are not in Raney's judgment of material value in relation to the Production Payment Properties.

As to matters of title, Messrs. Locke, Funnell, Boren, Laney & Neely may rely upon prior title opinions or upon opinions by local counsel selected by it.

(g) The loan to Raney from Mercantile National Bank at Dallas to enable it to purchase the Production Payment shall be consummated concurrently with the closing hereunder.

10. The closing shall take place in the office of Mercantile National Bank at Dallas, Mercantile Bank Building, Dallas, Texas, or at such other place as may be fixed by mutual agreement of the parties hereto, on April 1, 1964, at 10:00 o'clock in the forenoon (local time), or at such earlier or later time and date as may be fixed by mutual agreement of the

parties hereto (such time and date being herein referred to as the "Closing Date"); provided, however, that if all conditions have not been fulfilled or waived on or prior to October 1, 1964, this Agreement shall terminate on that date. Any party hereto shall have the right to perform any obligation undertaken by any other party hereto to prevent termination of this Agreement.

11. On or prior to the Closing Date, the Conveyance shall be executed by Athletic, Southwest, Stephens and Raney in such number of counterparts as in the aggregate is specified by the parties hereto. Prior to execution there shall be affixed to the Conveyance Exhibit A hereto, with any necessary corrections resulting from examination of title. Also, on or prior to the Closing Date, there shall be executed by Athletic (a) the Assignment in such number of counterparts as in the aggregate is specified by Southwest and Stephens after first affixing thereto Exhibit B hereto with any necessary corrections resulting from examination of title, and (b) assignments, deeds, bills of sale and such other documents which may be necessary to transfer, assign and convey to Southwest and Stephens the Additional Properties.

Also, on or prior to the Closing Date, Athletic shall execute and deliver to Southwest and Stephens individual assignments covering leases made by governmental authorities constituting a part of the Athletic Properties on official forms where required by applicable law or regulation.

All of the foregoing documents shall be delivered by Athletic against payment to it of the purchase monies to be paid to it on the Closing Date as hereinafter provided. Also on the Closing Date each party shall deliver to the other parties such copies of its corporate records and corporate proceedings, certificates by State officials as to its good standing and payment of taxes, and such other documents as may be reasonably requested by any other party at least seven (7) days in advance of the Closing Date.

12. The purchase price to be paid by Southwest and Stephens to Athletic on the Closing Date shall be the sum of \$ 1,303,402.56. The purchase price to be paid by Raney to Athletic on the Closing Date shall be the sum of \$7,000,000, being an amount equal to the primary sum of the Production Payment. All amounts so paid shall be in funds available for use in Dallas, Texas, by Athletic at the time of

closing in such form as Athletic may specify by written notice to Southwest, Stephens and Raney, not less than five (5) days prior to the Closing Date.

13. Delivery of the Conveyance, the Assignment and other documents of transfer to be delivered by Athletic to Southwest and Stephens on the Closing Date shall be effective as a delivery of possession of all real and personal property sold by Athletic to Southwest and Stephens, pursuant to this Agreement, and Southwest and Stephens shall take over operation of the Athletic Properties (except those properties now subject to operating agreements which designate a third party as operator) on the Closing Date, or as soon thereafter as practicable. At the closing all title files, abstracts, title opinions, maps, surveys, agreements, contracts and other documents and all well records, cores, cuttings, drilling reports, reserve reports, economic analyses and other property and instruments of a similar nature relating to the Athletic Properties theretofore owned by Athletic shall become the property of Southwest and Stephens.

14. Southwest and Stephens will assume no obligation to employ any Athletic personnel or any obligation of Athletic to any personnel by reason of their severance or termination by Athletic except as shown in Exhibit "D" hereto

15. Southwest, Stephens and Raney each waives compliance by Athletic with the provisions of the Bulk Sales Law of each applicable state and Athletic agrees to indemnify and hold harmless, Southwest, Stephens and Raney from any and all loss, cost, liability, claim or demand of any third person resulting from non-compliance by Athletic with any such Bulk Sales Law.

16. Each party hereto agrees to indemnify and save harmless the other parties, their officers, directors and stockholders, from and against any and all claims, losses, damages, costs or expenses of any kind or character arising out of or resulting from any agreement, arrangement or understanding alleged to have been made by such party or on its behalf with any broker or finder in connection with this Agreement or any of the transactions contemplated hereby

17. Any notice or communication required or permitted hereunder shall be given in writing, sent by U. S. air mail, postage prepaid, or by prepaid telegram, or delivered to the following addresses:

To Athletic: Athletic Mining and Smelting Company
P. O. Box 540
Fort Smith, Arkansas
Attention: James P. Orr

To Southwest: Southwest Natural Production Company
Slattery Building
Shreveport, Louisiana
Attention: J. C. Templeton

To Stephens: Stephens Production Company
35 South 7th Street
Fort Smith, Arkansas
Attention: W. R. Walker

To Raney: Raney, Inc.
Commercial National Bank Building
Little Rock, Arkansas
Attention: Alton B. Raney

or to such other address or to the attention of such other person as hereafter shall be designated in writing by the applicable party to the other parties, and shall be deemed to have been given as of the date of receipt.

18. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which shall be deemed for all purposes one agreement.

19. Anything to the contrary herein notwithstanding, all parties hereto understand and agree that the transactions contemplated hereunder are subject to the consummation prior to or concurrently with the Closing Date of the various transactions by and between Athletic, Southwest, Stephens, LoFlores Gas Company, Athletic Mining Company, Rescolite Company, The Residue Company, Rox Drilling Company, Service Gas Corporation and Fort Smith Gas Corporation, as described and set forth in that certain "Outline of Proposed Transactions" heretofore delivered to the parties hereto.

20. In the event that the transactions covered hereunder are not consummated for any reason other than the default of Athletic hereunder, Southwest and Stephens agree to reimburse Athletic for all reasonable and necessary costs and expenses incurred and paid by it in compliance with its obligations set forth in subparagraphs (b) and (c) of Paragraph 5 hereof.

were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of said corporation, and further stated and acknowledged that they had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

Witness my hand and official seal on the 15th day of February, 1964.

My commission expires July 18, 1966

Charles L. Goss
Notary Public in and for
Sebastian County, Arkansas

STATE OF ARKANSAS }
COUNTY OF SEBASTIAN }

On this day, before me, a Notary Public duly commissioned and acting within said County and State, appeared in person the within named J. C. Templeton and F. L. Hallman, to me personally well known, who stated that they were the President and Secretary of SOUTHWEST NATURAL PRODUCTION COMPANY, a corporation, and were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of said corporation, and further stated and acknowledged that they had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

Witness my hand and official seal on the 15th day of February, 1964.

Stephen J. Goss
Notary Public in and for
Sebastian County, Arkansas

STATE OF ARKANSAS }
COUNTY OF SEBASTIAN }

On this day came before me, a Notary Public duly commissioned and acting within and for said County and State, J. T. STEPHENS, W. R. STEPHENS and VERNON J. GISS, to me well known as the persons who executed the foregoing instrument as members of STEPHENS PRODUCTION COMPANY, a Joint Venture, and stated that they had executed the same for the consideration

and purposes therein mentioned and set forth and in the capacities therein stated.

Witness my hand and official seal on the 12th day of February, 1964.

My Comm'n. expires on 2, 1967

SEBASTIAN COUNTY, ARKANSAS

Notary Public in and for
Sebastian County, Arkansas

STATE OF ARKANSAS }
COUNTY OF SEBASTIAN }

On this day, before me, a Notary Public duly commissioned and acting within said County and State, appeared in person the within named Frank L. Starnes and Wm. R. Jones, to me personally well known, who stated that they were the President and Secretary of RANEY, INC., a corporation, and were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of said corporation, and further stated and acknowledged that they had so signed, executed and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

Witness my hand and official seal on the 12th day of February, 1964.

Notary Public in and for
Sebastian County, Arkansas

interest to and from the company in
 agreement dated February 18, 1911,
 between the said company and the
 Southwestern Natural Products Company
 Stephens Production Company and Stacy, Inc.

Oil, Gas and Mineral Properties and Interests

All right, title and interest owned by Stephens Production Company, or held for its benefit, in oil, gas and mineral leases, mineral rights, reversionary interests, royalty, overriding royalty, experience from production, well equipment and fixtures, or any other interest of every kind and description attributable to or unitized with the following described wells and/or drilling units:

Aetna Field, Franklin and Logan Counties, Arkansas

Agnon #1 Unit	Comprising parts of Sections 5, 6 & 8 of Township 8 North, Range 26 West
Bennett #1 Unit	Comprising S $\frac{1}{2}$ Section 18; N $\frac{1}{2}$ Section 19-21-26N
Bigham #1 Unit	Comprising S $\frac{1}{2}$ Section 22; N $\frac{1}{2}$ Section 27-28-27N
Carpenter #1 Unit	Comprising S $\frac{1}{2}$ Section 16; N $\frac{1}{2}$ Section 23-24-27N
Council #1 Unit	Comprising S $\frac{1}{2}$ Section 16; N $\frac{1}{2}$ Section 21-22-27N
Gattie #1 Unit	Comprising S $\frac{1}{2}$ Section 19; N $\frac{1}{2}$ Section 21-22-27N
Kirby #1 Unit	Comprising S $\frac{1}{2}$ Section 7; N $\frac{1}{2}$ Section 18-21-27N
Lang #1 Unit	Comprising S $\frac{1}{2}$ Section 16; N $\frac{1}{2}$ Section 12-21-27N
A. Law #1 Unit	Comprising S $\frac{1}{2}$ Section 9; N $\frac{1}{2}$ Section 16-21-27N
Re Law #1 Unit	Comprising S $\frac{1}{2}$ Section 15; N $\frac{1}{2}$ Section 22-24-27N
Wentworth #1 Unit	Comprising S $\frac{1}{2}$ Section 20; N $\frac{1}{2}$ Section 15-21-27N
L. Mathews #1 Unit	Comprising S $\frac{1}{2}$ Section 18; N $\frac{1}{2}$ Section 19-21-27N

W. Mathers #1 Unit	Comprising S/2 Section 2; N/2 Section 11-27.
O'Neal #1 Unit	Comprising S/2 Section 17; N/2 Section 20-21-27.
J. O. Pondergrass #1 Unit	Comprising S/2 Section 6; N/2 Section 16-21-27.
J. P. Pondergrass #1 Unit	Comprising S/2 Section 5; N/2 Section 3-21-27.
K. Pondergrass #1 Unit	Comprising S/2 Section 1; N/2 Section 9-21-27.
Pile #1 Unit	Comprising All Section 12-21-27.
H. Robberson #1 Unit	Comprising S/2 Section 12; N/2 Section 12-21-27.
J. Robberson #1 Unit	Comprising S/2 Section 7; N/2 Section 18-21-27.
M. Robberson #1 Unit	Comprising S/2 Section 6; N/2 Section 7-21-27.
Smith #1 Unit	Comprising S/2 Section 3; N/2 Section 10-21-27.
Stengel #1 Unit	Comprising S/2 Section 20; N/2 Section 25-26-27.
Walker #1 Unit	Comprising S/2 Section 11; N/2 Section 21-26-27.
Woodruff #1 Unit	Comprising S/2 Section 21; N/2 Section 28-29-27.
Wright #1 Unit	Comprising S/2 Section 20; N/2 Section 27-31-27.
Dunn #1 Unit	Comprising All Section 21-26-27.
Hillard #1 Unit	Comprising S/2 Section 35-36-27; N/2 Section 1-21-27.
Hinzman #1 Unit	Comprising All Section 11-21-27.
McClelland #1 Unit	Comprising S/2 Section 35-36-27; N/2 Section 2-21-27.
Undrilled Unit	Comprising S/2 Section 21; N/2 Section 25-26-27.

Cameron Field, LeFlore County, Oklahoma

Six (6) shallow producing gas wells situated in Sections 3 and 4-7N-26E and Sections 21 and 25-30N-26E

Cartersville Field, Haskell County, Oklahoma

Harris #1 Unit	Comprising Section 21-7N-23E
Hansley #1 Unit	Comprising Section 13-7N-23E
Holt #1 Unit	Comprising Section 35-7N-23E
Ziegler #1 Unit	Comprising Section 21-9N-23E
Undrilled Unit	Comprising Section 11-7N-23E
Undrilled Unit	Comprising Section 15-7N-23E
Undrilled Unit	Comprising Section 23-7N-23E
Undrilled Unit	Comprising Section 23-9N-23E

Cears Field, LeFlore County, Oklahoma

Four (4) shallow producing gas wells situated in Sections 8 and 9-9N-27E

Cedars-Central Field, LeFlore County, Oklahoma

Hoover #1 Unit	Comprising Section 17-5N-27E
Milgore #1 Unit	Comprising Section 9-5N-27E
McWaters #1 Unit	Comprising Section 1-5N-27E
Parnell #1 Unit	Comprising Section 13-9N-27E
Richison #1 Unit	Comprising Section 7-5N-27E
Tidwell #1 Unit	Comprising Section 21-9N-27E

Milton-McCurtain Field, Haskell & LeFlore Counties, Oklahoma

Bridgman #1 Unit	Comprising Section 16-8N-23E
Condo #1 Unit	Comprising Section 10-8N-23E
Evans #1 Unit	Comprising Section 1-8N-23E
Fitzgerald #1 Unit	Comprising Section 12-8N-23E
Cross #1 Unit	Comprising Section 2-8N-23E
Lowery #1 Unit	Comprising Section 10-8N-23E
McBee #1 Unit	Comprising Section 17-8N-23E

[illegible]

Potatau-Climoza Field, Leptozoa County, U.S.S.R.

37 shallow products are shown in
Perimeter 7 North, Range 26 West.

Red Oak (Deep) 7101d, 84000: Area 10000000000, 0.10000000000

Callaghan #1 Unit	Continuing Section	7-1-1953
Marble #1 Unit	Continuing Section	12-1-1953
Charney #1 Unit	Continuing Section	12-1-1953
Dye #1 Unit	Continuing Section	12-1-1953
Ford #1 Unit	Continuing Section	12-1-1953
Foster #1 Unit	Continuing Section	7-1-1953
Frost #1 Unit	Continuing Section	12-1-1953
Goldborough #1 Unit	Continuing Section	3-1-1953
Harvey #1 Unit	Continuing Section	6-1-1953
Lease #1 Unit	Continuing Section	7-1-1953
Lynne #1 Unit	Continuing Section	9-1-1953
Mason #1 Unit	Continuing Section	12-1-1953
May #1 Unit	Continuing Section	12-1-1953
McGowan #1 Unit	Continuing Section	8-1-1953
Orr #1 Unit	Continuing Section	12-1-1953
Smallwood #1 Unit	Continuing Section	15-1-1953
Springer #1 Unit	Continuing Section	7-1-1953
Swamy #1 Unit	Continuing Section	12-1-1953
Swave #1 Unit	Continuing Section	6-1-1953
Unfilled Unit	Continuing Section	9-1-1953
Undrilled Unit	Continuing Section	5-1-1953

and Oak (Sawmill) and, I am sure, in many other places, Cattle-

35 వ.ఎ.పి.లో కారణమునకు వారి సమీప వర్తమానములు ఈ సంగతులకు 6
వెంటనే సమీక్షించి 21, 22 వారి 23 వారి

Rock Island - 201d, Idaho Co., Oregon

Salish #1 Unit	Comp. Mining Operation 12-24-2013
Cassidy #1 Unit	Log. Mining Operation 12-24-2013
Patterson #2 Unit	Comp. Mining Operation 12-24-2013
Traverse (S) Intermediate - Joe, Ed, and Ray returned in Section 1B-24-2712	

Wuberton Field, Telford County, Oklahoma

State #C-1
Computerized Social Sec. 23-2N-1B3

EXHIBIT B

Attached to and made a part of this document
Agreement dated September 1, 1961
between Atlantic Mining & Drilling Company,
Southwestern Natural Production Company,
Stephens Production Company and Racey, Inc.

OPTIONAL, AS TO INTERESTS, ETC.

All right, title and interest owned by Atlantic Mining & Drilling
Company, or held for its benefit, now heretofore described in Exhibit A, hereto,
in oil, gas and mineral leases, mineral rights, reversionary interests, royalty,
overriding royalty, payments from production or any other interest of every kind
and description in and to oil, gas and other minerals located in Johnson, Franklin,
Logan and Sebastian Counties, Arkansas, and Indian, LeFlore and McClain Counties,
Oklahoma.

EXHIBIT 'C'

Attached to and made a part of this certain
Agreement dated February 1, 1961,
between Athletic Mining and Smelting Company,
Southwestern Natural Producers Company,
Stephens Production Company and Nancy, Inc.

REAL PROPERTY

All right title and interest in and to real property owned by Athletic
Mining and Smelting Company located at or near the intersection of Old Green and Road
and Arkansas Highway 1224, being parts of Section 24, 25N, R22E, and Section 3, T7N,
R22E, Sebastian County, Arkansas.

SMELTING PLANT

All buildings, equipment, structures, tools, materials, supplies, office
furniture and fixtures, and tangible property of every kind and description owned by
Athletic Mining and Smelting Company used in or comprising the same plant located and
situated on the real property described above.

TRANSMISSION PIPELINE

The gas pipeline beginning at the Smelter Plant in Town Smith, Arkansas, and
running in a westerly direction to the Oklahoma State Line together with all appurtenances,
grants, connections, fittings, regulators, valves used or relating to same pipeline.

CONTRACTS, RIGHTS AND AGREEMENTS

All right, title and interest in and to contracts, reservations, grants,
licenses, options, easements, privileges, leases, agreements, things and benefits
according to Athletic Mining and Smelting Company by virtue of written instruments and
agreements of any nature made with any third person, or persons.

OTHER ASSETS AND PROPERTIES

All other assets and properties, tangible or intangible, real, personal
or mixed, wherever situated and however held, owned, held or claimed by Athletic Mining
and Smelting Company and all rights, titles, claims, equities, interests, powers and
privileges appertained thereto. This description shall not be limited by the rule of
ejusdem generis and shall include all assets and properties of Athletic Mining and
Smelting Company.

EXHIBIT D

Attached to and made a part of that certain Agreement dated February 11, 1964 by and between Athletic Mining & Smelting Company Southwest Natural Production Company and Stephens Production Company

INDEBTEDNESS AND LIABILITIES OF ATHLETIC MINING & SMELTING COMPANY TO BE ASSUMED BY SOUTHWEST NATURAL PRODUCTION COMPANY AND STEPHENS PRODUCTION COMPANY

(1) - USE OF THE FOLLOWING INDEBTEDNESS AND LIABILITIES NOT DISCHARGED PRIOR TO THE CLOSING DATE;

Current and accrued liabilities as of October 31, 1963	
Accounts payable	\$138,254.98
Gas royalties	27,979.00
P.S.C. assessment	323.42
Athletic Mining & Smelting Company	257.50
The Residue Company	137.41
Athletic Mining & Smelting Company-Gas Division	20,951.34
Service Gas Corporation	201.55
Severance tax	1,940.53
FICA tax withheld	3,639.48
Income tax withheld	7,467.80
Employees' bond purchases	161.06
Workers' compensation	1,834.37
Labor-Net	4,889.43
Unemployment insurance	8,677.68
Vacation pay	20,365.00
Insurance	425.50
Taxes-General and real property	29,433.26
Interest	4,507.23
Arkansas sales tax	309.60
Accrued liabilities-Other	4,220.99
Customers' deposits	3,760.00
	<u>\$ 277,737.13</u>

Joint Operations-The Residue Company as of October 31, 1963

240,700.48

Long-Term Liabilities as of October 31, 1963

Notes payable	\$556,572.54
Contract payable-Radio	12,227.53
	<u>578,800.12</u>
	<u>\$1,057,237.73</u>

(2) USE AND ALL OTHER INDEBTEDNESS AND LIABILITIES INCURRED BY ATHLETIC MINING & SMELTING COMPANY IN THE ORDINARY COURSE OF BUSINESS BETWEEN OCTOBER 31, 1963 AND THE DATE OF CLOSING

THIS CONVEYANCE, dated as of _____
1964 (hereinafter called this Conveyance), consisting of
two parts:

PART I being a Conveyance of Oil, Gas and Mineral
Interests and Reservation of Production Payment from
Athletic Mining and Smelting Company, a Missouri corpora-
tion (hereinafter in Part I called the Grantor), to South-
west Natural Production Company, a Delaware corporation,
and J. T. Stephens, doing business as Stephens Production
Company (hereinafter collectively called the Grantees);
and

PART II being a Conveyance and Assignment of Produc-
tion Payment from said Athletic Mining and Smelting Company
(hereinafter in Part II called the Assignor), to Raney, Inc.,
an Arkansas corporation (hereinafter called the Assignee);

W I T N E S S E T H: .

PART I.

CONVEYANCE OF OIL, GAS AND MINERAL INTERESTS
AND RESERVATION OF PRODUCTION PAYMENT

ARTICLE FIRST

Conveyance and Reservation and Certain
Related Provisions

Section 1.1 Conveyance and Reservation. The Grantor,
for valuable consideration, the receipt and sufficiency of
which are hereby acknowledged, and in further consideration
of the covenants, agreements and undertakings herein pro-
vided by the Grantees, by these presents does grant, bargain,
sell, convey, assign, transfer, set over and deliver, effec-
tive as of 7:00 o'clock A.M., Central Standard Time, on

Exhibit I

_____, 1964 (said hour and day being hereinafter called the Effective Date), unto the Grantees, in equal undivided shares, the following:

A. The oil and gas leases, the oil, gas and mineral leases, the leasehold, fee and mineral interests, the royalty and overriding royalty interests, the payments out of production and the other interests which are specifically described in Exhibit A and Exhibit B attached hereto and made a part of both Part I and Part II hereof (hereinafter called Exhibit A and Exhibit B, respectively); subject, however, to the restrictions, exceptions, reservations, conditions, limitations, existing production payments, interests and other matters, if any, set forth or referred to in the specific descriptions of said leases and interests in Exhibit A and Exhibit B;

B. All the Grantor's right, title and interest in, to and under, or derived from,

(1) all the presently existing unitization, communitization and pooling agreements and the properties covered and the interests created thereby (including, without limitation, all units formed under orders, regulations, rules or other official acts of any federal, state or other governmental body or agency having or purporting to have jurisdiction),

(2) all the presently existing oil and gas sales, purchase, exchange and processing contracts and agreements, and

(3) all other contracts, agreements and instruments,

which are described or referred to in Exhibit A and Exhibit B or which relate to any of the leases, properties and interests specifically described in Exhibit A and Exhibit B (or properties unitized, communitized or pooled therewith) or to the production of oil, gas, casinghead gas and other hydrocarbons from or attributable to said leases, properties and interests (all oil, gas, casinghead gas and other hydrocarbons being hereinafter collectively called Hydrocarbons);

C. Without limitation of any of the foregoing, all the Grantor's right, title and interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to the lands specifically described or referred to in Exhibit A and in, to and under, or derived from, all oil and gas leases, oil, gas and mineral leases, leasehold, fee and mineral interests, royalty and overriding royalty interests, payments out of production, and other interests of whatsoever character insofar as the same cover or relate to said lands, even though the Grantor's interest in any specific portion of said lands and said oil and gas leases, said oil, gas and mineral leases, said leasehold, fee and mineral interests, said royalty and overriding royalty interests, said payments out of production, and said other interests be incorrectly described or referred to in, or a description of such interests be omitted from Exhibit A and Exhibit B.

Each of the above-described leases, properties, interests and rights coming within any of the foregoing Subsections A, B and C is hereinafter called a Subject Interest,

and all such leases, properties, interests and rights are hereinafter collectively called the Subject Interests. The term "Subject Interests" shall also include (i) any Subject Interest as the same shall be constituted from time to time after the execution and delivery of this Conveyance, and as enlarged by the discharge of any payments out of production or by the removal of any charges or encumbrances to which such Subject Interest shall be subject, or otherwise, (ii) any and all renewals and extensions of any Subject Interest, (iii) all contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described above in Subsection B of this Section 1.1, insofar as the same shall relate to any Subject Interest, and (iv) all rights, titles and interests accruing or attributable to any Subject Interest by virtue of its being included in any unit, pool or communitized area. Those of the Subject Interests described or referred to in Exhibit A are hereinafter collectively called the Exhibit A Subject Interests, and those of the Subject Interests described or referred to in Exhibit B are hereinafter collectively called the Exhibit B Subject Interests. All Hydrocarbons in and under, or which may be produced and saved from or shall accrue or be attributable to, the Grantor's net interest in, the Subject Interests from and after the Effective Date are hereinafter called the Subject Hydrocarbons. All Hydrocarbons in and under, or which may be produced and saved from or shall accrue or be attributable to, the Grantor's net interest in, the Exhibit A Subject Interests from and after the Effective Date, are hereinafter called the Exhibit A Subject Hydrocarbons; and all Hydrocarbons in and under, or which may be produced and saved from or shall accrue or be attributable to, the Grantor's net interest in the Exhibit B

Subject Interests from and after the Effective Date, are hereinafter called the Exhibit B Subject Hydrocarbons.

EXPRESSLY EXCEPTING AND EXCLUDING, however, from the conveyance in this Part I and retaining and reserving unto the Grantor, as a production payment, an undivided eighty-seven and one-half percent (87-1/2%) of the Exhibit A Subject Hydrocarbons and an one hundred percent (100%) of the Exhibit B Subject Hydrocarbons (said percentages being hereinafter collectively called the Reserved Percentage). The Reserved Percentage of the Subject Hydrocarbons is hereinafter called the Production Payment Hydrocarbons, and the Production Payment Hydrocarbons, together with all other rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto, are hereinafter called the Production Payment. The ascertainment, computation, receipt and realization of the Production Payment Hydrocarbons shall be subject to the further provisions of this Part I.

AND THIS PART I FURTHER WITNESSETH that, for the consideration aforesaid, the Grantor by these presents does grant, bargain, sell, convey, assign, transfer, set over and deliver, effective as of the Effective Date, unto the Grantees, in equal undivided shares, all the Grantor's right, title and interest in and to

(1) all property, whether personal or real (other than oil, gas or other mineral interests), tangible or intangible, and

(11) all improvements, easements, permits, licenses, servitudes and rights of way, now or hereafter situated upon, or used or useful or held for future use in connection with the exploration, development or operation of, any of the Subject Interests, or of

any unit, pool or communitized area that includes any of the Subject Interests, or used or useful or held for future use in connection with the production, treatment, storage or transportation of Hydrocarbons or other minerals therefrom, including, without limitation, all wells of any kind or type, casing, tubing, derricks, tanks, boilers, separators, rods, pumps, flow lines, water lines, gas lines, buildings, fixtures, liquid recovery equipment, machinery and other equipment, pipelines, power lines, telephone and telegraph lines, roads and other appurtenances, all such property, improvements, easements, permits, licenses, servitudes and rights of way being hereinafter called the Operating Property.

TO HAVE AND TO HOLD the Subject Interests (less the Production Payment excepted, excluded, retained and reserved as aforesaid) and the Operating Property which are hereby granted, bargained, sold, conveyed, assigned, transferred, set over and delivered as aforesaid unto the Grantees, their successors and assigns, forever, subject, however, to the terms, provisions, exceptions, reservations, covenants and agreements herein set forth.

Section 1.2 Computation of Production Payment.

All the provisions of this Part I with respect to the ascertainment and computation or the receipt and realization of the Production Payment Hydrocarbons or with respect to the discharge of the Production Payment shall be subject to the limitations, provisions and conditions set forth in the following Subsections A to G, inclusive:

... A. The terms "Subject Hydrocarbons" and "Production Payment Hydrocarbons" shall be deemed to include the proceeds of such Hydrocarbons and payments made under the terms of any oil or gas

sales or purchase contract or agreement as a result of the failure to take and receive the minimum quantities required to be taken pursuant to such contract or agreement; provided, however, that credit against subsequent takings of Hydrocarbons thereunder shall be given hereunder for any such payments to the extent required under any such contract or agreement.

B. For the discharge of the Production Payment the Grantor shall look exclusively to the Production Payment Hydrocarbons and the Grantees shall not be liable for such discharge; provided, however, that nothing herein shall relieve the Grantees of their liability to respond in damages for any breach of the covenants, agreements and undertakings herein made by the Grantees.

C. The Production Payment shall not be dischargeable out of any products resulting from any manufacturing, processing or refining operation, except to the extent of that portion of such products the value of which represents the fair market value at the wellhead of the Production Payment Hydrocarbons used in the making of such products.

D. The Production Payment shall not be dischargeable out of any bonus which the Grantees shall receive for any future lease, sublease or assignment of any of the Subject Interests or out of any delay rental paid to the Grantees for the privilege of deferring the commencement of a well on any of the Subject Interests or out of any payment or other adjustment for wells or leasehold equipment by reason of the unitization, communitization or pooling of any of the Subject Interests.

E. The Subject Hydrocarbons shall not include any Hydrocarbons which are unavoidably lost in the production thereof or which are produced and saved from, or accrue or are attributable to, any Subject Interest and used by the Grantees in conformity with sound field practices for drilling or production operations (including gas injection, secondary recovery, pressure maintenance, repressuring or cycling operations) conducted for the purpose of producing Subject Hydrocarbons from such Subject Interest, but only so long as such Hydrocarbons are so used.

F. Nothing in this Conveyance shall be construed as modifying any of the obligations of the lessee with respect to any lease from Indian tribes, bands or groups, and any lease on lands allotted to Indians in severalty, included in the Subject Interests, including, without limitation, obligations for diligent development and operation, protection against drainage, compliance with oil and gas operating regulations (30 CFR Part 221), and the requirement for departmental approval before abandonment of any well situated on such lease. All such obligations are to remain in full force and effect, as if free of the Production Payment. The existence of the Production Payment, whether or not actually paid, shall not be considered as justification for the approval of abandonment of any well situated on such lease. This Subsection F is inserted in this Conveyance as a condition in order to comply with the provisions of 25 CFR 171.26(d), 172.22(d) and 174.38(b).

Section 1.3 Amount, Term and Discharge of Production Payment. The Production Payment shall continue and remain in full force and effect until the Grantor shall have received and realized, out of the Production Payment Hydrocarbons, the aggregate of the amounts specified in Subsections A, B, C, D and E of this Section 1.3, free and clear of all exploration, development, operating, lifting, gathering, storing, producing, compressing, dehydrating, treating, reworking, repair, processing, marketing, transporting and other costs and expenses of every kind (hereinafter collectively called Production Expenses):

A. The full net sum of Seven Million Dollars (\$7,000,000) (hereinafter called the Primary Sum); plus

B. An amount computed from _____, 1964, at the rate of five and three-eighths percent (5-3/8%) per annum on the unliquidated balance of the Primary Sum; plus

C. An amount equal to the aggregate of all amounts which may be paid by the Grantor on account of

(1) ad valorem taxes (or taxes imposed or assessed in lieu thereof) imposed or assessed upon the Production Payment or any mortgage thereof or upon the Production Payment Hydrocarbons, which have not been paid by the Grantees as required by Section 3.1H, and

(2) severance, gross production, occupation, gathering, pipeline regulating and other taxes, assessments and governmental charges of every kind that are levied or imposed upon or assessed with respect to or measured by or

thereof by such assignee or grantee,

(2) any indebtedness incurred by such assignee or grantee in connection with the acquisition of the Production Payment or any part thereof, and/or

(3) the receipt of the proceeds of the Production Payment Hydrocarbons,

together with an amount equal to interest thereon at the rate of 6% per annum from the date of payment; provided, however, that there shall not be included in such amount any tax attributable to the gain from any sale or other disposition of the Production Payment or any part thereof to the extent that such gain is attributable to the receipt for such sale or other disposition of a consideration in excess of the unliquidated balance of the Primary Sum or, in the case of a partial sale or disposition, in excess of that part of such unliquidated balance attributable to the part of the Production Payment so sold or disposed of; plus

E. An amount equal to the aggregate amount of all reasonable expenses (including all fees and expenses of counsel, counsel for any lenders, independent public accountants and other independent experts) of any assignee or grantee of the Grantor incidental to the acquisition, ownership, transfer and mortgaging of the Production Payment or any part thereof, the preparation, execution and recording of all documents related thereto, the obtaining of any loan secured thereby (including the obtaining of commitments for any such loan), the receipt and

disbursement of moneys on account of any such loan (including, without limitation, all fees and other amounts, aggregating not in excess of \$_____ per month, which may be charged by any lenders to defray their internal accounting and bookkeeping expenses in connection with such receipt and disbursement) and the contest (through litigation or otherwise), release or discharge of any adverse claim or demand made by any person affecting, in any manner whatsoever, the Production Payment Hydrocarbons, which shall have been paid or incurred by any such assignee or grantee, together with an amount equal to interest thereon at the rate of 6% per annum from the date of payment; provided, however, that the aggregate amount (exclusive of amounts equal to interest) which all such assignees and grantees shall be entitled to receive on account of all such expenses (other than expenses in connection with the contest, release or discharge of any such adverse claim or demand) during the entire term of the Production Payment shall not exceed \$_____, plus all fees and other amounts, aggregating not more than \$_____ per month, which may be charged by lenders to defray their internal accounting and bookkeeping expenses as provided above;

IT BEING THE INTENTION HEREOF that the Grantor shall be entitled to receive and realize out of the Production Payment Hydrocarbons the aggregate of the amounts above specified in Subsections A and B of this Section 1.3, free and clear of all Production Expenses (which shall be borne and paid by the Grantees), and over and above all taxes, assessments,

charges, fees, costs and expenses of the character and of the amounts described and specified in Subsections C, D and E of this Section 1.3. Reference in the foregoing Subsections D and E of this Section 1.3 to any assignee or grantee of the Grantor shall be deemed to include the successive successors and assigns of such assignee or grantee.

All Production Taxes imposed with respect to or measured by or charged against the Production Payment Hydrocarbons and for which the Grantor is liable may be deducted from the proceeds of Production Payment Hydrocarbons and paid for the account of the Grantor, and in the case of any such deduction the amount so deducted shall be deemed not to be proceeds of Production Payment Hydrocarbons received or realized by the Grantor.

The term "Accounting Month" shall mean any monthly period commencing with and including the 27th day of any calendar month and ending on and including the 26th day of the next succeeding calendar month.

For all purposes of this Conveyance, the proceeds of Production Payment Hydrocarbons actually received by the Grantor during any Accounting Month shall be deemed to have been received and applied immediately after the opening of business on the first day of the next succeeding Accounting Month; provided, however, that, if any date of application specified above shall be a Saturday, Sunday or legal holiday under the law of the jurisdiction in which such proceeds shall have been received by the Grantor, such proceeds shall be deemed to have been received and applied on the first business day next succeeding such regular application date which is not a Saturday, Sunday or legal

holiday. Any such date or day of application is herein called a regular application date. Such proceeds shall be deemed to have been applied on each regular application date to the extent thereof and in the order set forth below:

First, to the amount referred to in the foregoing Subsection B of this Section 1.3 accrued up to (but not including) the relevant regular application date, and

Second, to the amount referred to in the foregoing Subsection C of this Section 1.3, to the extent then ascertained, and

Third, to the amount referred to in the foregoing Subsection D of this Section 1.3, to the extent then ascertained, and

Fourth, to the amount referred to in the foregoing Subsection E of this Section 1.3, to the extent then ascertained, and

Fifth, the remainder shall be applied to the reduction of the unliquidated balance of the Primary Sum;

provided, however, that, in the event such proceeds so available for application on any such regular application date shall be insufficient to cover the full amount specified in the foregoing Clause First, the unliquidated balance of the Primary Sum shall be forthwith increased by an amount equal to the amount of any such deficiency; and provided, further, that amounts thereafter accruing pursuant to Subsection B of this Section 1.3 by reason of such increased amounts shall not be payable from Subject Hydrocarbons produced in any state where applicable law precludes such payment.

When the aggregate of the amounts specified in the foregoing Subsections A, B, C, D and E of this Section 1.3 (together with all increases in the unliquidated balance of the Primary Sum expressly provided for in this Part I) shall have been received and realized by the Grantor as aforesaid, then, subject to the provisions of Section 1.5, the Production Payment shall be fully discharged.

Section 1.4 Marketing and Taking in Kind. The Grantees will duly perform all obligations performable by them under all contracts and agreements for the sale of any of the Subject Hydrocarbons, whether presently existing or hereinafter entered into in accordance with the provisions of this Section 1.4 (said contracts and agreements being hereinafter collectively called the Production Sales Contracts), in accordance with the terms thereof and will take all appropriate measures to enforce the performance of the obligations of third parties under each Production Sales Contract. The Production Payment Hydrocarbons shall be delivered by or on behalf of the Grantees, as produced and saved, to the credit of the Grantor, free of all Production Expenses, into the pipeline or pipelines to which the wells producing such Production Payment Hydrocarbons may be connected or to such other point of purchase as is reasonably required in the marketing thereof.

The Grantees shall market the Production Payment Hydrocarbons, on behalf and for the account of the Grantor, on the same basis as the Grantees market their share of the Subject Hydrocarbons but never for less than the fair market value thereof at the wellhead or, in the case of sales pursuant to then validly existing contracts or agreements described or referred to in Exhibit A or

hereafter entered into, at the contract prices thereunder; provided, however, that any contract hereafter made by the Grantees covering the sale of any Production Payment Hydrocarbons shall contain the normal and usual provisions as to price and other matters customary in the industry for similar contracts covering Hydrocarbons of the same or like gravity, kind or quality produced in the area in which such Production Payment Hydrocarbons are produced.

The Grantees shall be entitled to purchase, for their own use and not for sale to others, any part of or all the Production Payment Hydrocarbons, and, if the Grantees shall so purchase any Production Payment Hydrocarbons, the Grantees shall pay to the Grantor, on or before the day of each Accounting Month next succeeding the Accounting Month in which such purchase shall occur, an amount equal to the fair market value thereof at the wellhead at the time of such purchase, less any Production Taxes thereon deducted and paid for the account of the Grantor as provided by Section 1.3.

From time to time, upon the giving of at least 120 days' prior notice in writing to the Grantees, the Grantor shall be entitled at its election to take in kind any part of or all the Production Payment Hydrocarbons, subject, however, to the rights of third persons under any then existing Production Sales Contracts described or referred to in Exhibit A or to which the Grantor shall have theretofore given its consent in writing; and provided, further, that such notice shall specify each of the Subject Interests or portion thereof from which such Production Payment Hydrocarbons are to be taken and shall specify the date

of commencement of taking by the Grantor (which shall be the first day of a calendar month) and each taking shall be for the period (which shall not be less than one year) specified in such notice. In the event that the Grantor so elects to take any of the Production Payment Hydrocarbons, the Grantor shall market such Production Payment Hydrocarbons for the best price obtainable when marketed, but never for less than the fair market value at the wellhead when taken, or, in the case of sales pursuant to such Production Sales Contracts, at the contract prices receivable thereunder, and the proceeds of any such sale shall be applied to the Production Payment to the same extent and in the same order provided by Section 1.3 as if such Production Payment Hydrocarbons had been marketed by the Grantees. No such taking by the Grantor shall obligate the Grantees to incur any additional expense by reason of such taking, but the Grantees shall continue to pay Production Expenses in the same manner and to the same extent hereunder as if there had been no such taking by the Grantor.

The obligations of the Grantees shall be subject to compliance by the Grantees with the Natural Gas Act and the applicable rules and regulations of the Federal Power Commission. Rates permitted to be paid for Production Payment Hydrocarbons pursuant to the Natural Gas Act and such rules and regulations shall control in the event that the rates established by such rules and regulations shall be less than prices established in Production Sales Contracts. The Grantees shall make all required filings with the Federal Power Commission affecting Production Sales Contracts or the Subject Hydrocarbons.

Section 1.5 Withholding and Restitution of Proceeds of Production Payment Hydrocarbons. If any of the proceeds of the Production Payment Hydrocarbons shall be withheld for any reason whatsoever, then the Grantor shall be deemed not to have received or realized any proceeds from such Production Payment Hydrocarbons until, and only to the extent that, the proceeds from the sale thereof shall have been received and applied to the Production Payment. If, at any time or from time to time, either before or after the receipt of the full aggregate amount of the Production Payment specified in Section 1.3, the Grantor shall be compelled, for any reason whatsoever, to make any payment or restitution on account of proceeds of any Production Payment Hydrocarbons theretofore received by the Grantor (which proceeds shall be deemed to have been the proceeds most recently applied pursuant to Section 1.3), then the unliquidated balance of the Primary Sum shall, to the extent, if any, that such Primary Sum shall be affected by such payment or restitution, be increased, effective as of the date on which the payment or restitution shall be made, by the amount of the proceeds so paid over by or on behalf of the Grantor (plus all amounts which shall be paid by or on behalf of the Grantor in the nature of interest, damages and penalties).

ARTICLE SECOND

PROTECTION TO PURCHASERS OF PRODUCTION

Section 2.1 Notice. No pipeline company or other person purchasing or taking or processing any Subject Hydrocarbons shall be required to take notice of, or keep informed as to, the discharge or termination of the Production Payment until they receive written notice from the Grantor advising them of such discharge or termination.

ARTICLE THIRD

COVENANTS OF THE GRANTEES

The Grantees hereby covenant as follows:

Section 3.1 Operation of the Subject Interests.

The Grantees, so long as the Production Payment shall remain in force and effect, will, at their own cost and expense and irrespective of who may be the operators of the Subject Interests, cause:

A. all rentals and all royalties and overriding royalties to be paid promptly with respect to each oil and gas lease, or oil, gas and mineral lease, interests in which are included in the Subject Interests, and all other obligations on the part of the lessee thereunder, expressed in or implied under each such lease or expressed in or implied under any assignment or sublease thereof, to be punctually performed, and each such lease, and each easement, permit, license, servitude and right of way necessary or appropriate to the operation of each such lease, to be kept in full force and effect, free of cancellation, forfeiture or any accrued right of termination, by the payment of whatever sums may become payable and by the performance of whatever obligations may become performable;

B. each of the Subject Interests to be maintained, developed, operated and improved in strict conformity with all applicable contracts and other instruments and in accordance with generally approved practices of prudent operators in the industry and with applicable federal, state and local laws, rules and regulations (except those being contested in good faith) to the end that each well capable of producing

Hydrocarbons in paying quantities shall produce and continue to produce the full regulatory allowable of Hydrocarbons, if any, to the extent of the capacity of such well;

C. all to be done that, according to generally approved practices of prudent operators in the industry, may be appropriate to maintain and to protect from diminution the productive capacity of the Subject Interests and each producing well thereon, including cleaning out and reconditioning each such well from time to time, plugging and recompleting each such well at the same or a different level, drilling a substitute well (including supplying of all necessary related facilities therefor) to the same formation from time to time and drilling of additional wells (including supplying of all necessary related facilities therefor) to conform to changed spacing regulations and to protect the Subject Interests against drainage whenever and as often as necessary;

D. all liabilities of every kind relating to the Subject Hydrocarbons, including, without limitation, all liabilities for labor, services, material, supplies and equipment incurred in, or arising from, the administration, operation or development of the Subject Interests or the gathering, producing, compressing, dehydrating, treating, processing, storing, marketing or transporting of the Subject Hydrocarbons, to be paid punctually when due or, as to any of such liabilities which are being contested in good faith and as to which the Grantees shall have set

aside on their books appropriate reserves, promptly after the final determination of such contest;

E. all machinery, equipment and facilities of any kind now or hereafter located on the Subject Interests and used or useful in the operation thereof for the production of Hydrocarbons therefrom to be provided and to be kept in good and effective operating condition, and all repairs, renewals, replacements, additions and improvements thereof or thereto needful to such end to be promptly made;

F. written notice to be given to the Grantor of every adverse claim or demand affecting the Subject Interests or the Subject Hydrocarbons in any manner whatsoever, or of any proceedings instituted with respect thereto, and all necessary and proper steps to be diligently taken to protect and defend the Subject Interests and the Subject Hydrocarbons against any such adverse claim or demand, including, without limitation, the employment of counsel for the prosecution or defense of litigation and the contest, release or discharge of any such claim or demand;

G. all ad valorem taxes (or taxes imposed or assessed in lieu thereof), Production Taxes, and all other taxes, assessments and governmental charges of every kind, including interest and penalties, if any, levied or imposed upon or assessed with respect to or measured by or charged against the Subject Interests or the Subject Hydrocarbons or the Production Payment or against the Grantor by reason of its ownership of the Production Payment or against any

mortgagee of the Production Payment by reason of his or its mortgage interest, to be rendered and to be paid punctually before the same become delinquent or, as to any of such taxes, assessments and charges which are being contested in good faith and as to which the Grantees shall have set aside on their books appropriate reserves, promptly after the final determination of such contest, and the Grantees shall indemnify the Grantor against and hold it harmless from any and all costs, expenses, losses, claims and damages arising from any failure by the Grantees to comply with the provisions of this Subsection G; and

H. the grantees' interest in each of the Subject Interests to be kept valid and subsisting and free and clear of liens, charges and encumbrances of every kind, other than (1) taxes constituting a lien but not yet due and payable, (2) defects or irregularities of title, or liens, charges or encumbrances, which are not such as to interfere with the operation, value or use of such Subject Interest, or materially affect title thereto, (3) Production Sales Contracts, (4) those set forth or referred to in the specific descriptions of the Subject Interests in Exhibit A, (5) those being contested in good faith, and (6) those consented to in writing by the Grantor;

PROVIDED, HOWEVER, that the Grantees shall have the right to abandon any Subject Interest (or any portion thereof) when there is no well located on such Subject Interest (or such portion thereof) which is capable of producing Hydrocarbons in paying quantities and when the Grantees have

reasonably determined that (1) no existing well may be re-completed, and no additional well may be completed, thereon which would be capable of producing Hydrocarbons in paying quantities, and (11) no pressure maintenance or secondary recovery operations may be instituted with respect to such Subject Interest (or such portion thereof) which would result in the production of Hydrocarbons in paying quantities from or attributable to such Subject Interest (or such portion thereof).

For all purposes of this Section, an existing well shall be deemed to be capable of producing Hydrocarbons "in paying quantities" unless a permanent condition shall exist whereby the aggregate value of the Hydrocarbons produced from such well (less only the Hydrocarbons attributable to lessors' royalties, overriding royalties and payments out of production described or referred to in Exhibit A or Exhibit B other than the Production Payment) is less than the direct costs of operating such well and preparing the production thereof for marketing. For all purposes of this Section, a well which may result from additional drilling or which may be the subject of recompletion, pressure maintenance, or secondary recovery operations, shall be deemed to be capable of producing Hydrocarbons "in paying quantities" if, in the light of conditions existing at the time of the determination and which are not of a temporary nature, it is estimated that the aggregate value of the Hydrocarbons to be produced from such well (less only the Hydrocarbons attributable to lessors' royalties, overriding royalties and payments out of production described or referred to in Exhibit A or Exhibit B other than the Production Payment) shall exceed the then estimated direct costs of operating

such well and preparing the production thereof for marketing.

"Direct costs" shall include only the cost of labor, transportation, other services, materials, equipment and supplies, and amounts paid or to be paid independent contractors. Payments on account of the Production Payment or on account of any royalties, overriding royalties or any other payments out of production shall not be deemed to constitute "direct costs".

If the Grantees shall use any Hydrocarbons other than Subject Hydrocarbons in conducting any gas injection, secondary recovery, pressure maintenance, repressuring, cycling or other producing operation, such Hydrocarbons shall remain the property of the Grantees and the Grantees may recover the same on a basis satisfactory to the Grantor.

Anything herein to the contrary notwithstanding, the Grantees, with respect to those Subject Interests which are operated by operators other than the Grantees, shall not be obligated to perform undertakings performable only by such operators and beyond the control of either of the Grantees; provided, however, that each of the Grantees will promptly take all such action available to it to enforce or secure the performance of any such undertakings required to be performed by such operators.

Section 3.2 Reports to the Grantor. While the Production Payment remains in force and effect, the Grantees will, at their own expense, furnish to the Grantor, in such form and number of counterparts as the Grantor may request, the following:

A. Upon request of the Grantor, but not more than once in any calendar year, reports prepared by or for the Grantees concerning (1) the productivity and the productive life of each of the wells included in the Subject Interests or covered by any unitization, communitization or pooling agreement to which any part of the Subject Interests may at the time be subject, (2) the quantity of the Hydrocarbons recoverable from the Subject Interests, (3) the estimated date upon which the Production Payment will be discharged, the estimated unliquidated balance of the Primary Sum as of each regular application date falling in _____ of each year prior to such estimated date and the projected income and expense attributable to the Subject Interests, (4) the expediency of any change in methods of treatment and operation of wells included in the Subject Interests, any new drilling or development (including, to the extent available, an estimate of the reserves of Subject Hydrocarbons attributable to any new well), any proposed abandonment of a well, any plugging of a well and any recompletion of a well at the same or a different level, any method of repressuring in the field, or any other action with respect to the Subject Interests, the decision as to which may increase or reduce the volume of the Hydrocarbons ultimately recoverable from the Subject Interests, or the rate of production therefrom, or which may shorten or prolong the period of time required for the discharge of the Production Payment, and (5) the number of wells operated, drilled, abandoned, plugged or recompleted.

B. Within 60 days after the end of each Accounting Month, a report showing for such Accounting Month the gross proceeds of the sale of the Subject Hydrocarbons (including Subject Hydrocarbons purchased by the Grantees for their own use), the quantities so sold, the taxes deducted from or paid out of such proceeds, the proceeds of Production Payment Hydrocarbons receivable by the Grantor out of said gross proceeds, and such other information as the Grantor may reasonably request (all information furnished pursuant to this Subsection B to be classified according to each Subject Interest or on such other basis as the Grantor may reasonably request).

C. Within 45 days after January 1 of each year, commencing with the year 1965, a report showing as to the preceding calendar year the number of units with which the Subject Interests (or any portion thereof) have been pooled or combined pursuant to Section 5.1 or otherwise, the location and description thereof, the records, and the volumes and pages thereof, in which the pooling or communitization agreements, unit designations or other instruments required by Section 5.1 have been filed and recorded, the number of fieldwide unitizations to which the Subject Interests (or any portion thereof) have been made subject by the specific authorizations of the Grantor and the Grantees and their locations and descriptions and other data pertinent thereto, and the number, location and description of any pressure maintenance or secondary recovery operations affecting the Subject Interests (or any portion thereof).

Section 3.3 Access to Subject Interests. The Grantees will permit any representatives designated by the Grantor at any reasonable time to make such inspection of the Subject Interests and the Operating Property as such representatives shall deem proper, and will furnish to the Grantor, if and whenever requested, such detailed information as the Grantor may reasonably request concerning the Subject Interests, the administration, operation and development thereof, and the gathering, producing, compressing, dehydrating, treating, processing, storing, marketing or transporting of Hydrocarbons therefrom.

Section 3.4 Remedies of the Grantor. Should the Grantees fail promptly to perform or observe any of the covenants, agreements and undertakings provided in this Part I to be performed or observed by the Grantees, or either of them, and such failure continue unremedied for more than 30 days after written demand for performance is made of the Grantees by the Grantor, or should either of the Grantees become insolvent or make an assignment for the benefit of creditors or be adjudicated a bankrupt or admit in writing its inability to pay its debts generally as the same become due, or should any proceedings be instituted by either of the Grantees under any state or federal law for relief of debtors or for the appointment of a receiver, trustee or liquidator of itself or of any of the Subject Interests, or should a voluntary petition in bankruptcy or for reorganization or for an adjudication of either of the Grantees as an insolvent or a bankrupt be filed by such Grantee, or should a receiver, trustee, or other officer appointed by any court or any sheriff, constable, marshal or other similar governmental officer under color of legal authority

seize any of the Subject Interests or any of the Subject Hydrocarbons and hold possession thereof for a period of 30 days, then, so long as any such event (herein called a Remedial Event) shall have occurred and be continuing, the Grantor, in addition to all other remedies available to it at law or in equity,

A. shall thereupon and thereafter have the continuing right, privilege and option (but shall be under no duty)

(1) to effect performance or observance, on behalf and at the expense of the Grantees, of such covenant, agreement or undertaking which has not been performed or observed by the Grantees, or either of them, in which event the Grantor may advance funds and incur and pay bills for expenses for such purpose, and/or

(2) to pay any of the costs, expenses, fees, taxes, assessments, governmental charges, liabilities, rentals, royalties and other amounts which the Grantees have agreed to pay under any of the provisions of this Part I and which have become delinquent,

and may, in either case, at the option of the Grantor, be reimbursed out of the proceeds of the Subject Hydrocarbons attributable to the Grantees' interests therein, together with interest on the unreimbursed amounts at the rate of 6% per annum from the date of such advancement or payment, and any purchaser of such Subject Hydrocarbons is authorized and directed to remit directly to the Grantor all amounts payable by such purchaser for the Subject Hydrocarbons

attributable to the Grantees' interest therein to the extent of the amount which the Grantor shall certify to such purchaser that it has advanced or paid and which the Grantees are obligated to pay under any of such provisions, and

B. upon written notice to the Grantees by the Grantor, shall succeed to all rights of the Grantees with respect to the possession, operation, exploration and development of the Subject Interests held by them (including, without limitation, all rights of the Grantees under the Production Sales Contracts), and may use in connection therewith the Operating Property and all other properties and rights of a similar character acquired by virtue of or in connection with the Grantees' ownership of the Subject Interests then held by the Grantees and situated upon or used in connection with the administration, operation, development or exploration of the Subject Interests or the gathering, producing, compressing, dehydrating, treating, storing, marketing or transporting of the Subject Hydrocarbons, and the Grantor shall have the right, on behalf and for the account of the Grantees, to sell and utilize all the Subject Hydrocarbons attributable to the Grantees' interests therein and to apply the proceeds thereof to the costs and expenses (including counsel fees) of the administration, operation, development and exploration of the Subject Interests or the gathering, producing, treating, processing, storing, marketing or transporting of the Subject Hydrocarbons and to reimburse the Grantor for any amounts expended by the Grantor in payment of such costs and

expenses, and, to the extent that such amounts are not paid out of the Grantees' interests in the proceeds of such Subject Hydrocarbons, the Grantees shall reimburse the Grantor upon demand for all such amounts not so paid, together with interest on the unreimbursed amounts at the rate of 6% per annum from the date of such expenditure, and

C. shall be entitled to specific performance or observance of such covenant, agreement or undertaking or to apply to a court of equity in aid of the execution of any power herein granted and for the appointment of a receiver of the interests in the Subject Interests held by the Grantees and the Subject Hydrocarbons attributable to such interests.

All rights and remedies to which the Grantor shall have become entitled under this Section 3.4 shall terminate either (i) when the Production Payment is discharged or terminates, and all amounts then due and payable to the Grantor pursuant to this Section 3.4, including amounts payable for interest as aforesaid, shall have been duly paid in full, or (ii) at such earlier date when no Remedial Event shall be continuing and all such amounts shall have been duly paid in full, without prejudice, however, to the exercise of any rights and remedies herein conferred upon the Grantor in the event of any subsequent failure of the Grantees to perform or observe any of the covenants, agreements or undertakings provided in this Part I to be performed or observed by the Grantees, or either of them.

ARTICLE FOURTH
WARRANTY OF TITLE

Section 4.1 Warranty of Title. Subject to the Production Payment, the matters referred to in Exhibit A and the provisions of Section 6.2, the Grantor hereby binds itself to warrant and forever defend title to all and singular the Subject Interests and the Operating Property unto the Grantees, their successors and assigns, against every person whomsoever lawfully claiming or who may claim the same or any part thereof. The conveyance in this Part I is made with full substitution and subrogation of the Grantees in and to all covenants and warranties heretofore given or made by others in respect of the Subject Interests and the Operating Property or any part thereof.

ARTICLE FIFTH
ASSIGNABILITY

Section 5.1 Sale, Etc. of Subject Interests. Except as permitted by Section 3.1, the Grantees shall not, without the consent in writing of the Grantor, make any sale, conveyance, assignment, lease or sublease, in whole or in part, of any of the Subject Interests or the Subject Hydrocarbons while the Production Payment remains in force and effect. The Grantees shall not, without the consent in writing of the Grantor, permit an increase in any royalty, overriding royalty or payment out of production existing on the Effective Date to which the Subject Interests are subject as specified in Exhibit A, if any such royalty, overriding royalty or payment out of production is owned by the Grantees or any Affiliate (as hereinafter defined) of either of them. Except with the consent in writing of the Grantor (which consent shall not be unreasonably withheld) and while the Production Payment remains in force and effect, the Grantees shall not pool or unitize the

Subject Interests (or any portion thereof) with leasehold, mineral or other interests which are not included in the Subject Interests and in which the Grantees or any Affiliate of either of them owns any interest, other than for the purpose of forming a drilling unit (which shall be of no more than the standard size for one well in the relevant area where situated) when, in the judgment of the Grantees, it is necessary or advisable to do so in order to facilitate the orderly development of the Subject Interests, and the production from any such drilling unit shall be owned by each of the contributors thereto in the same proportions as the respective surface acreages contributed to such unit by each of such contributors. The Grantees may, however, without the consent in writing of the Grantor, from time to time pool or unitize the Subject Interests (or any portion thereof) with any other portion of the Subject Interests or with leasehold, mineral or other interests in which neither of the Grantees nor any Affiliate of either of them owns any interest. Forthwith after the formation of any fieldwide unit, the Grantees shall furnish to the Grantor a true copy of the unitization agreement or other instrument creating such unit, together with any operating agreement relating thereto, in such reasonable number of counterparts as the Grantor may from time to time request. The signature or joinder of the Grantor shall not be necessary to instruments evidencing the pooling and unitization herein authorized. As used in this Conveyance, the term "Affiliate" shall mean, with reference to any person, an individual, firm or corporation that directly or indirectly controls, is controlled by, or is under common control with, such person, and, without limiting the generality of the foregoing, any such person shall be deemed to control a corporation if such person shall own or hold, or

rights, titles, interests, estates, remedies, powers and privileges herein and hereby granted, bargained, sold, conveyed, assigned, transferred, set over and delivered, or excepted, excluded, retained and reserved, or intended so to be.

Section 6.2 Failure of Title, Etc. No transfer by the Grantor to the Grantees of any part of the Subject Interests and no loss or failure of title to, or abandonment of, any part of the Subject Interests shall have the effect of reducing the amount of the Production Payment or the Reserved Percentage from time to time in effect or of creating any offset or other prejudice to the Production Payment and the Production Payment shall continue in full force and effect as to all other Subject Interests until the Production Payment has been discharged as hereinabove provided.

Section 6.3 Notices. Any notice, request, demand, report or other instrument which may be required or permitted to be given to any party hereto or other person succeeding to any interest of a party hereto shall be deemed sufficiently given if in writing and delivered to such party or person or deposited in the United States mail in a sealed envelope, first class mail, with postage prepaid, addressed to such party or person at its address stated in this Conveyance, or at such other address as the party or person to be addressed shall have designated by written notice to each such party or person.

Section 6.4 Successors and Assigns. All the covenants and agreements of the Grantees contained in this Part I shall be deemed to be covenants running with the land. All the provisions of this Part I shall inure to the benefit of and be binding upon the respective successors and assigns of

the Grantor and the Grantees and all references herein to the Grantor and the Grantees shall include their respective successors and assigns, except that the term "Grantor" as used in Section 1.1 (to and including Subsection C thereof) and Sections 4.1, 6.1 and 6.5 shall not include the Assignee referred to in Part II of this Conveyance or any successors or assigns of such Assignee.

Section 6.5 Certain Separate Assignments. It is understood and agreed that with respect to oil and gas and oil, gas and mineral leases which, or interests in which, are included in the Subject Interests, from Indian tribes, bands or groups or on lands allotted to Indians in severalty, separate assignments on approved forms may be executed by the Grantor to the Grantees in sufficient counterparts to fulfill applicable statutory and regulatory requirements, and that said assignments, although unqualified in form or not specifically containing all of the terms and provisions hereof, shall be deemed to contain all of the exceptions, exclusions, retentions, reservations, rights, titles, interests, estates, remedies, powers and privileges set forth herein which constitute the Production Payment as fully to all intents and purposes as though the same were set forth at length in each such assignment. The interests conveyed by such separate assignments are the same as, and not in addition to, the interests herein conveyed.

Section 6.6 Assumption by the Grantees. The Grantees hereby expressly assume the performance and observance of all covenants and conditions under the contracts described in Exhibit A imposed on the owner of the Subject Interests except such as may only be performed or observed by the Grantor.

Section 6.7 Joint and Several Obligations. The obligations, agreements and undertakings of the Grantees contained in this Part I shall be joint and several.

PART II.

CONVEYANCE AND ASSIGNMENT OF PRODUCTION PAYMENT

ARTICLE SEVENTH

Section 7.1 Conveyance and Assignment. The Assignor, for valuable consideration paid by the Assignee, the receipt and sufficiency of which are hereby acknowledged, by these presents does grant, bargain, sell, convey, assign, transfer, set over and deliver, effective as of the Effective Date, unto the Assignee, its successors and assigns, the Production Payment, it being the intention of the Assignor by this Part II to grant, bargain, sell, convey, assign, transfer, set over and deliver unto the Assignee all rights, titles, interests, estates, remedies, powers and privileges of the Assignor in the Subject Interests and in the Production Payment excepted, excluded, retained and reserved as provided in Part I of this Conveyance.

TO HAVE AND TO HOLD the Production Payment, together with said rights, titles, interests, estates, remedies, powers and privileges, unto the Assignee, its successors and assigns, forever.

Section 7.2 Covenants of Assignor. The Assignor covenants that:

A. the Assignor has the legal right and authority to grant, bargain, sell, convey, assign, transfer, set over and deliver the Production Payment;

B. the entire amount of the Production Payment is outstanding and undischarged, and the Assignor has not received anything whatsoever toward the satisfaction or discharge of the same;

C. the Assignor has not received any notice of default or claimed default with respect to or affecting any of the Subject Interests;

D. all taxes and assessments of any kind whatsoever levied upon or assessed against or measured by the production of Hydrocarbons accruing or attributable to the Production Payment have been duly paid or provided for;

E. there are no suits or proceedings pending or, to the knowledge of the Assignor, threatened against or affecting the Assignor or any of the Subject Interests before any court or by or before any governmental commission, bureau or agency; and

F. the Assignor has duly complied with all laws, regulations and rulings of any court, governmental commission, bureau or other regulatory agency, state or federal, having jurisdiction, with respect to or affecting any of the Subject Interests.

Section 7.3 Warranty of Title. The Assignor hereby binds itself to warrant and forever defend title to the Production Payment unto the Assignee, its successors and assigns, against every person whomsoever lawfully claiming or who may claim the same or any part thereof. The conveyance in this Part II is made with full substitution and subrogation of the Assignee in and to all covenants and warranties heretofore given or made by others (including the Grantees hereunder) in respect of the Production Payment or the Subject Interests, or any part thereof.

Section 7.4 Further Assurances. So long as permitted by applicable law so to do, the Assignor (at its expense) will execute and deliver to the Assignee all such other instruments,

notices, releases, acquittances and documents, and will do all such other acts and things, as may be necessary more fully to assure to the Assignee all the rights, titles, interests, estates, remedies, powers and privileges herein and hereby granted, bargained, sold, conveyed, assigned, transferred, set over and delivered, or intended so to be.

Section 7.5 Assignor Not Liable. The Assignor shall not be personally liable for the discharge of the Production Payment, and the Assignee shall look exclusively to the Production Payment Hydrocarbons, and the proceeds thereof, for the discharge thereof.

Section 7.6 Assignability of Production Payment By Assignee. Nothing herein contained shall in any way limit or restrict the right of the Assignee to sell, convey, assign, mortgage or pledge the Production Payment, in whole or in part.

Section 7.7 Successors and Assigns. All the covenants and agreements of the Assignor contained in this Part II shall be deemed to be covenants running with the land. All references herein to the Assignor or the Assignee shall include their respective successors and assigns.

THE FOLLOWING PROVISIONS SHALL BE DEEMED TO
BE INCORPORATED IN BOTH PARTS OF THIS
CONVEYANCE

ARTICLE EIGHTH

CUTION PROVISIONS

Section 8.1 Counterparts. This Conveyance has been executed in numerous original counterparts, all of which are

identical, except that, to facilitate recordation, in certain counterparts portions of Exhibit A and Exhibit B hereto which describe properties situated in counties other than the county in which the particular counterpart is to be recorded are omitted. Counterparts including the entire Exhibit A and Exhibit B hereto have been delivered to each of the parties, and a counterpart including the entire Exhibit A and Exhibit B hereto is being recorded in the following counties of the following states:

<u>State</u>	<u>County</u>	<u>Location</u>
Arkansas		
Oklahoma		

Each of such counterparts shall be deemed to be an original for all purposes, and all such counterparts together shall constitute one and the same instrument.

Section 8.2 Severability. If it should be deemed necessary or desirable for any purpose to treat Part I and Part II as separate and distinct instruments of conveyance and agreement, Part I (including the provisions deemed incorporated in Parts I and II) and Part II (including the provisions deemed incorporated in Parts I and II) shall be so treated for such purpose, in which event Exhibit A and Exhibit B annexed to this Conveyance shall be deemed to be annexed to and to constitute a part of Part I; and Part I, together with Exhibit A and Exhibit B shall be deemed to be annexed to and to constitute a part of Part II; the signature next herein appended of Athletic Mining and Smelting Company shall be deemed to have been duly appended to Part I, as well as Part II; the signatures next hereinafter appended of Southwest Natural Production Company and J. C. Stephens, doing business as Stephens Production Company, shall be deemed to have been

duly appended to Part I; and the signature next hereinafter appended of Raney, Inc. shall be deemed to have been duly appended to Part II.

IN WITNESS WHEREOF, the parties hereto have caused this Conveyance to be duly executed on the date specified in the acknowledgments annexed hereto.

Attest: ATHLETIC MINING AND SMELTING COMPANY

Secretary By: _____
President

The address of Athletic Mining and Smelting Company is:

Attest: SOUTHWEST NATURAL PRODUCTION COMPANY

Secretary By: _____
President

The address of Southwest Natural Production Company is:

J. T. STEPHENS, doing business
as Stephens Production Company

Attest: RANEY, INC.

Secretary By: _____
President

The address of Raney, Inc. is:

[Add Arkansas and Oklahoma acknowledgments]

EXHIBIT II.

CONVEYANCE AND ASSIGNMENT
OF
NON-PRODUCING PROPERTIES

THIS CONVEYANCE AND ASSIGNMENT, dated _____, 1964, effective 7:00 o'clock A.M., _____, 1964, from ATHLETIC MINING AND SMELTING COMPANY, a Missouri corporation (hereinafter called the "Grantor"), to SOUTHWEST NATURAL PRODUCTION COMPANY, a Delaware corporation, and J. T. STEPHENS, doing business as Stephens Production Company (hereinafter collectively called the "Grantees");

W I T N E S S E T H:

That Grantor, for a valuable consideration, cash in hand paid, the receipt and adequacy of which are hereby acknowledged, by these presents does hereby grant, bargain, sell, convey, assign, transfer, set over and deliver unto Grantees, in equal undivided shares, and unto their heirs, successors and assigns, forever, the following:

- A. The oil and gas leases, the oil, gas and mineral leases, and the leasehold, fee, mineral, royalty and overriding royalty interests and other interests which are specifically described in Exhibit A attached hereto and hereby made a part of this Conveyance and Assignment;
- B. All of Grantor's right, title and interest in, to and under, or derived from, all of the presently existing and valid unitization, communitization and pooling agreements and the units created thereby (including all units formed under orders, regulations, rules, or other official acts of any Federal, State, or other governmental agency having jurisdiction) which are described or referred to in Exhibit A hereto, insofar as they pertain to the rights, properties and interests described in Exhibit A.
- C. All of Grantor's right, title and interest in, to and under, or derived from, all of the presently existing and valid oil and gas sales, purchase, exchange and processing contracts and agreements, and all other contracts, agreements and

instruments which are described or referred to in Exhibit A hereto, insofar as they pertain to the rights, properties and interests described in Exhibit A;

except that any oil and gas lease, oil, gas and mineral lease, or any leasehold, fee, mineral, royalty, overriding royalty interest, or other interest specified in the foregoing subsections A, B or C to the extent that the same is included in the Subject Interests in that certain Conveyance by and between Grantor, Grantees and Raney, Inc., an Arkansas corporation, dated the date hereof, shall not be deemed to be conveyed, transferred and assigned by this Conveyance and Assignment; and

D. All of Grantor's right, title and interest in and to all personal property, improvements, easements, permits, licenses, servitudes and rights-of-way situated upon or used or useful, or held for future use, in connection with the exploration, development or operation of the lands or interests granted, bargained, sold, conveyed, assigned, transferred, set over and delivered by this Conveyance and Assignment, or the production, treating, storing, or transportation of oil, gas, other hydrocarbons or other minerals, including, but not by way of limitation, wells, leasehold equipment (including equipment in and on the wells through the tank batteries or the pipe line connections), field offices and lease houses, insofar as all of the foregoing pertain to hydrocarbon operations on or in connection with the rights, properties and interests described in Exhibit A hereto;

but subject, however, to all royalties, overriding royalties, production payments, and other interests and encumbrances which are specified in Exhibit A hereto, or which are deducted in arriving at the Grantor's net interest in total production as stated in Exhibit A, and to the terms and provisions of the instruments described in Exhibit A, and by acceptance of the delivery hereof, Grantees hereby assume and agree to perform all of the obligations of Grantor under said instruments which accrue after the effective date hereof.

TO HAVE AND TO HOLD all and singular the assets, properties and rights hereby granted, bargained, sold, conveyed, assigned, transferred, set over and delivered, or intended so

to be, unto Grantees, their heirs, successors and assigns, forever.

Grantor hereby covenants and agrees to and with Grantees, their heirs, successors and assigns, that it shall execute and deliver all such other and additional instruments as may be necessary more fully to vest in Grantees, their heirs, successors or assigns, all the respective rights and interests herein granted and conveyed, or intended so to be.

Grantor hereby binds itself to warrant and forever defend the title to all and singular the assets, properties and rights contained (or intended so to be) in Exhibit A hereto unto Grantees, their heirs, successors and assigns, against every person whomsoever lawfully claiming, or to claim, the same or any part thereof. This Conveyance and Assignment is made with full substitution and subrogation of Grantees in and to all covenants and warranties by others heretofore given or made in respect to all assets, properties and rights, or any part thereof, contained (or intended so to be) in Exhibit A hereto.

Grantor hereby covenants and agrees that with respect to oil and gas leases, oil, gas and mineral leases, and interests therein from the United States of America, or from any State or agency thereof, or from Indian tribes, bands or groups, or on lands allotted to Indians in severalty, granted, bargained, sold, conveyed, assigned, transferred, set over and delivered unto Grantees hereby, or intended so to be, it will execute and deliver to Grantees, as requested by them, separate assignments on approved or other acceptable forms in a sufficient number of counterparts to fulfill statutory and regulatory requirements, and that said assignments, although unqualified in form or not specifically containing all the terms and provisions hereof, shall be deemed to contain all of the terms and provisions hereof as though the same were set forth at length in each such separate assignment.

This Conveyance and Assignment shall be effective for all purposes as of the hour of 7:00 o'clock A.M. on 1964, which hour shall be determined as to each locality in accordance with the time then generally observed in such locality.

This Conveyance and Assignment has been executed in numerous counterparts, all of which are identical, except that, to facilitate recordation, in certain counterparts portions of Exhibit A hereto, which describe properties situated in Counties other than the County in which the particular counterpart is to be recorded, are omitted. Counterparts, including the entire Exhibit A hereto, have been delivered to each of the parties, and a counterpart, including the entire Exhibit A

hereto, is being recorded in the following Counties of the following States:

<u>State</u>	<u>County or Parish</u>	<u>Location</u>
Arkansas	_____	_____
Oklahoma	_____	_____

Each of such counterparts shall be deemed to be an original, and all such counterparts shall together constitute but one and the same Conveyance and Assignment.

IN WITNESS WHEREOF, Grantor has caused this Conveyance and Assignment to be duly executed on the date of the acknowledgment annexed hereto, but effective as herein stated.

ATHLETIC MINING AND SMELTING
COMPANY

ATTEST:

Secretary

By: _____
President

[Add Arkansas & Oklahoma acknowledgments]

SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, made and entered into this 13th day of February, 1964, by and between SERVICE GAS CORPORATION (Service), LeFLORE GAS COMPANY (LeFlore), ATHLETIC MINING COMPANY (Mining), ATHLETIC MINING & SMELTING COMPANY (Smelting), all the shareholders of ROX DRILLING COMPANY (Rox Shareholders), all the shareholders of THE RESIDUE COMPANY (Residue Shareholders), and all the shareholders of RESCOLITE COMPANY (Rescolite Shareholders), hereinafter sometimes collectively referred to as "Sellers"; and SOUTHWEST NATURAL PRODUCTION COMPANY (Southwest), STEPHENS PRODUCTION COMPANY (Stephens), and FORT SMITH GAS CORPORATION (Fort Smith), hereinafter sometimes collectively referred to as "Buyers";

W I T N E S S E T H:

WHEREAS, Fort Smith has this day entered into a contract with Service to purchase all of its assets; and

WHEREAS, Fort Smith has this day entered into a contract to purchase certain assets from LeFlore; and

WHEREAS, LeFlore and Mining have this day entered into a contract to sell all of their assets to Smelting, and Smelting has this day entered into a contract to sell all of its assets, as well as those acquired from Mining and LeFlore, to Southwest and Stephens, subject to the reservation of a production payment against certain properties; and

WHEREAS, Stephens has this day entered into a contract with Rox Shareholders to purchase all the shares of outstanding stock of Rox Drilling Company; and

WHEREAS, Stephens and Southwest have this day entered into an agreement with Residue Shareholders to purchase all of the shares of outstanding stock of The Residue Company; and

WHEREAS, Stephens and Southwest have this day entered into a contract with Rescolite Shareholders to purchase all of the shares of outstanding stock of Rescolite Company; and

WHEREAS, all the transactions contemplated under the above-mentioned contracts are to be consummated simultaneously; and

WHEREAS, the total consideration provided in said contracts of purchase and sale was based on Buyers' reliance upon the correctness of the uncertified balance sheets prepared by Douglas Walker & Company of Fort Smith, Arkansas, as of October 31, 1963, covering each of the seven companies whose stock or assets are to be purchased in accordance with the above-mentioned agreements, and upon the representation of the respective Sellers that all transactions entered into by the seven corporations whose assets or stock are being purchased in accordance with the above-mentioned agreements since October 31, 1963, to the date of closing of all the aforementioned contracts of purchase and sale, shall be in the ordinary course of business; and

WHEREAS, Sellers agree to furnish to Buyers, as soon as practicable, certified balance sheets of each of the seven corporations whose assets or stock are being purchased as of October 31, 1963, and prepared by Douglas Walker & Company; and

WHEREAS, Sellers and Buyers are desirous of entering into this Agreement in order to adjust the consideration to be paid under the aforementioned contracts of purchase and sale under certain conditions due to discrepancies between the aforementioned balance sheets, and costs and liabilities incurred in connection with transactions outside the ordinary course of business since October 31, 1963;

NOW, THEREFORE, Buyers and Sellers do hereby agree as follows:

1. The combined net asset position of the seven corporations, whose assets or stock are being sold under the aforementioned contracts of purchase and sale, as reflected in the certified statements of assets (exclusive of fixed assets) and liabilities as of October 31, 1963, prepared by Douglas Walker & Co., shall be adjusted by the aggregate amount of costs and liabilities incurred by any and all

of such seven corporations in connection with transactions not in the ordinary course of business between October 31, 1963, and the date of closing. If the combined net asset position of such seven corporations as reflected by the uncertified statements of assets (exclusive of fixed assets) and liabilities as of October 31, 1963, varies by the sum of \$10,000.00 or more from the combined net asset position of such seven corporations as reflected in the certified statements of assets (exclusive of fixed assets) and liabilities as of October 31, 1963, as adjusted as provided in this paragraph, then the total consideration paid or to be paid by Buyers under the aforementioned agreements of purchase and sale shall be adjusted up or down to conform to this variance.

2. All reasonable and necessary costs and expenses and sales taxes incurred and paid by any of the corporations whose assets are being sold in connection with its compliance with obligations undertaken by it under the aforementioned contracts of purchase and sale, including costs of acquiring abstracts and abstractors' certificates, costs and fees incurred in the curing of title objections and attorneys' fees and disbursements involved in the rendition of title opinions, corporate dissolutions of Service, LeFlore, Mining and Smelting, and preparation of the aforementioned contracts (the last two items only not to exceed \$5,000.00 and shall be *reimbursable* considered reasonable and necessary costs and expenses for the purposes of Paragraph 20 of the aforementioned Agreement between Smelting and Southwest and Stephens), shall be deemed to constitute costs and expenses incurred in the ordinary course of business for the purposes of this Supplemental Agreement.

3. On or within a reasonable period after the closing of the transactions covered by the aforementioned agreements of purchase and sale, Sellers shall deliver to Buyers all books, papers, records, maps, ad valorem tax files, production and severance tax files, renditions and receipts, and all other files of the seven corporations whose stock or assets are being sold, and all general corporate and general accounting records pertaining to said corporations; provided, however, that such corporations shall have the right to retain copies of any of said books, papers and records delivered to Buyers other than geological and geophysical maps, reports, surveys and logs pertaining to oil and gas interests being sold to Buyers; and provided further, however, that Service, LeFlore, Mining and Smelting and their respective representatives shall have free access during regular business hours to any of said books,

papers and records in order to prepare necessary returns and reports required by applicable law in winding up the affairs of Service, LeFlore, Mining and Smelting.

4. Although certain of the contracts of purchase and sale of assets describe the oil and gas leases, leasehold estates and lands covered thereby by using the words "right, title and interest", without specifying the exact interest covered thereby, it is understood and agreed that the interests covered by said contracts are those interests set forth in that certain report entitled "Evaluation of Natural Gas Reserves as of January 1, 1964, Athletic Mining & Smelting Company, Athletic Mining Company and LeFlore Gas Company" prepared by T. W. McGuire & Associates of Shreveport, Louisiana, and that said contracts shall be read and construed as if specific interests as set forth in the said McGuire Report had been described in said contracts.

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts as of the day hereinabove first written.

SERVICE GAS CORPORATION

ATTEST:

CS Lamin

By:

James F. Orr
President

LeFLORE GAS COMPANY

ATTEST:

Will M. Rouben

By:

James F. Orr
President

ATHLETIC MINING COMPANY

ATTEST:

Joseph J. Rouben

By:

James F. Orr
President

ATHLETIC MINING & SMELTING COMPANY

ATTEST:

Roscoe O. Scurlock

By:

James F. Orr
President

ROX SHAREHOLDERS:

[illegible]

RESIDUE SHAREHOLDERS:

James Z. Orr
Co-executor paying F. Orr Estate
By James Z. Orr, Attorney, Trust Officer
Lyonard S. Orr, Co-executor
By Raymond F. Orr Estate
James Z. Orr
By James Z. Orr, Attorney
Joseph P. Orr
By James Z. Orr, Attorney
RESOLITE SHAREHOLDERS:

RESCOLITE SHAREHOLDERS:

James E. Orr
Thos. L. Ford

RESCOLITE SHAREHOLDERS-Continued.

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Diagnosed F. on earth by Charles Bradley, Kentucky
Lyndon E. Burr, Co - operator
Raymond F. Burr, F. State.
Robert D. Burr
Raymond F. Burr, Attorney in Law
Charles D. Burr
Raymond F. Burr, Attorney in Law

SOUTHWEST NATURAL PRODUCTION COMPANY

ATTEST:
F. L. H. Allen
Secretary

By: [Signature]
VICE President

STEPHENS PRODUCTION COMPANY

ATTEST:
|| || || ||

By: [Signature]
President

FORT SMITH GAS CORPORATION

ATTEST:
[Signature]

By: [Signature]
President

BUYERS